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FM AMEMBASSY BISHKEK

TO RUEHC/SECSTATE WASHDC 1571

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE

RUCNCIS/CIS COLLECTIVE

RUEHBJ/AMEMBASSY BEIJING 2773

RHEFDIA/DIA WASHDC

RUEKJCS/OSD WASHDC

RUEAIIA/CIA WASHDC

RHEHNSC/NSC WASHDC

RUEKJCS/SECDEF WASHDC

RUEKJCS/Joint STAFF WASHDC

RUEHGV/USMISSION GENEVA 1136

RUEHVEN/USMISSION USOSCE 3164

RUCNDT/USMISSION USUN NEW YORK 2550

RUEHNO/USMISSION USNATO BRUSSELS BE

RUEHBS/USEU BRUSSELS

RUEHLMC/MILLENNIUM CHALLENGE CORP

RUMICEA/USCENTCOM INTEL CEN MACDILL AFB FL

UNCLAS SECTION 01 OF 02 BISHKEK 001209

SENSITIVE

SIPDIS

DEPT FOR SCA/CEN (GORKOWSKI)

E.O. 12958: N/A

TAGS: ETRD ECON PREL SOCI KG

SUBJECT: ANALYZING CHINESE TRADERS IN KYRGYZ MARKETS

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¶1. (SBU) Summary: A university survey of traders at two Chinese-dominated markets identified a "lack of market competition" as a main reason for Chinese "migration" to the Kyrgyz Republic. Despite large increases in visa and work permit costs, Chinese entrepreneurs continue to trade in bazaars from which Chinese-made goods are dispersed to other Central Asian countries. While dismissing estimates that 30,000 Chinese reside in Bishkek, the Kyrgyz official charged with migration issues confirmed that 4,500 of 10,000 available work permits have been issued to Chinese nationals.

The official added that the return of Kyrgyz labor migrants from Russia and Kazakhstan will likely force a cut in available work permits. Among Kyrgyz public officials and private citizens there is a uniform concern about Chinese influence in the Kyrgyz Republic. End summary.

A Tale of Two Markets

¶2. (SBU) Student researchers under an American University of Central Asia faculty-supervised project presented findings November 21 of their investigation into Chinese migration patterns among traders at two Kyrgyz markets. The research team, which included one ethnic Kyrgyz student from China, surveyed about 50 traders at the large outdoor Dordoi market in Bishkek's northern outskirts and the enclosed Taatan market located in eastern Bishkek. (Note: There is a large shuttle trade of Chinese goods from the Dordoi market and the Kara-Suu market near the southern Kyrgyz city of Osh to neighboring countries. End note.) According to the researchers, ownership of the Taatan market is split between Chinese and Kyrgyz entrepreneurs even though 70% of the traders working there are Chinese. Embassy understands that Ak Jol parliamentarian Askar Salymbekov still controls a majority stake in the Dordoi market, which hosts an estimated 1,000 Chinese workers who toil amongst thousands of shipping containers full of Chinese goods.

Preliminary Conclusions

¶13. (SBU) The researchers concluded that a "lack of market competition," combined with Chinese and Kyrgyz membership in the World Trade Organization and the Shanghai Cooperation Organization, drew entrepreneurial Chinese migrants to the Kyrgyz Republic. Traders identified visas, work permits and corruption as significant barriers to entry. Chinese traders at Taatan said the cost of Kyrgyz visas had jumped from \$300 to \$1300. Their Dordoi counterparts claimed visas cost \$700-\$800. Chinese traders reported that work permits have increased in price from \$50 to \$1300 since 2004. (Note: Embassy consular personnel report that Kyrgyz visa costs range from \$200 to \$600. End note.) The Dordoi traders also cited ethnic competition for a series of fires that destroyed Chinese-owned stalls at the market.

¶14. (SBU) While acknowledging the absence of any baseline data for their study, the researchers questioned how an estimated 30,000 Chinese can be in Bishkek legally when the Kyrgyz Republic caps the number of work permits for foreigners at 10,000. (Note: There are no reliable data on the number of Chinese in the Kyrgyz Republic. However, official adherence to the 10,000 work permit maximum is questionable. End note.)

Government Official Weighs In

¶15. (SBU) Aigul Ryskulova, Chair of the Kyrgyz State Committee for Migration and Employment Issues, attended the presentation and provided more insights into the issue. While dismissing the "myth" of massive Chinese migration into the country, Ryskulova said that most Chinese in the Kyrgyz

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Republic are entrepreneurs who only remain until they can sell the contents of their shipping containers. She praised the economic and trade benefits of the Chinese presence, but noted that there are moves in parliament to implement positive discrimination for local Kyrgyz traders vis-a-vis foreign (Chinese) traders. Both Ryskulova and the researchers discussed Chinese traders marrying Kyrgyz nationals -- a trend which would ease conditions on the Chinese partner to conduct business in the Kyrgyz Republic.

¶16. (SBU) While confirming rate increases for work permits and the revenues these permits generate for the government, Ryskulova claimed that the 10,000 foreign work permit quota would need to be cut to enable Kyrgyz laborers returning from Russia and Kazakhstan, where the job market has been deteriorating, to find work in the Kyrgyz Republic. She disputed the 30,000 estimate for Chinese in Bishkek, but verified that 4,500 work permits have been issued to Chinese nationals.

Comment

¶17. (SBU) Kyrgyz officials and citizens routinely express concerns about the impact of their large eastern neighbor, China. With disputes about China having sparked previous discord within the Kyrgyz Republic, most notably over border demarcation concessions, Kyrgyz authorities remain sensitive to Chinese influence in the country. The construction of a large, multi-story Chinese embassy (within eyesight of the U.S. embassy) is a reminder of China's interest in its western neighbor, which the Chinese view as a source for minerals and hydroelectric power.

LITZENBERGER